



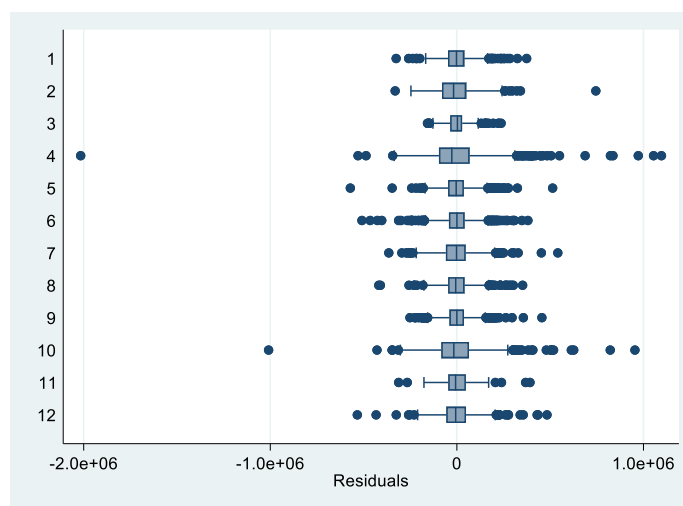
ENVISION ARLINGTON FISCAL RESOURCES TASK GROUP
Meeting Minutes
7:30 PM 1/21/21

On Line via Zoom

ATTENDEES: Gordon Jamieson (Co-Chair), David Garborino (Co-Chair), Brian Hasbrouck, Jonathan Haughton, Heather Remoff, Janet Pagliuca, Pete Howard (Secretary), Steve Revilac, Guillermo Hamlin

1. Gordon reviewed the open meeting rules for Zoom meetings as put out by Governor Baker.
2. Gordon reported on his discussion with Sandy Pooler. Gordon reviewed some of the materials the group had been studying that suggest that both Inspection Services and Assessment Departments are understaffed. Sandy said they are considering this but do not want to make any changes until State Aid for 2022 is well defined. A general discussion followed. Janet was told there would be a 3 week delay for a large project she is planning. She was told the contactor could furnish video evidence rather than wait for an in person inspector visit. Jonathan had a driveway and front stair project and was told no permit required. Brian had a roof project completion that was documented with a video. He inquired from the Inspection Department if the project was closed out. They said it was. Heather wondered if there is a motivation problem. Someone noted that delays waiting for inspection increase the project cost. Also noted that delays in permitting can make developers less likely to work in Arlington.
3. Gordon had requested assessment information for all properties including neighborhood location. He asked Jonathan to find out how consistent the assessments are within neighborhoods. Jonathan reported on the work he has done (Ref 1). He decided to start off with single family houses. He built a model that included the various building details on which an assessment is based. He then compared the model assessment to the true assessment each property, by neighborhoods. The result (Fig 1) shows rather tight groupings in each neighborhood. There are a few outliers, both underassessed and overassessed. A list of these properties should be of use to the Assessors. Jonathan will repeat these calculations for 2 bedroom and 3 bedroom properties. He will attempt to do this for commercial properties but he is not sure he can do a model for them. He could also do it for land assessment. A general discussion followed on the meaning of these results. All agreed that equitable assessments should be consistent for equivalent properties. The connection to New Growth is less clear.

Figure 1



Residuals = assessed value – predicted assessed value

4. Pete has drafted a report on the groups' New Growth work (Ref 2). He briefly described it.

5. The group agreed to continue this line of discussion at our next meeting.

Adjourned at 9:15.

Next Meeting Feb 18

Ref 1 Property Values in Arlington

Ref 2 New Growth

Property values in Arlington

For Arlington Tax Group

January 21, 2021

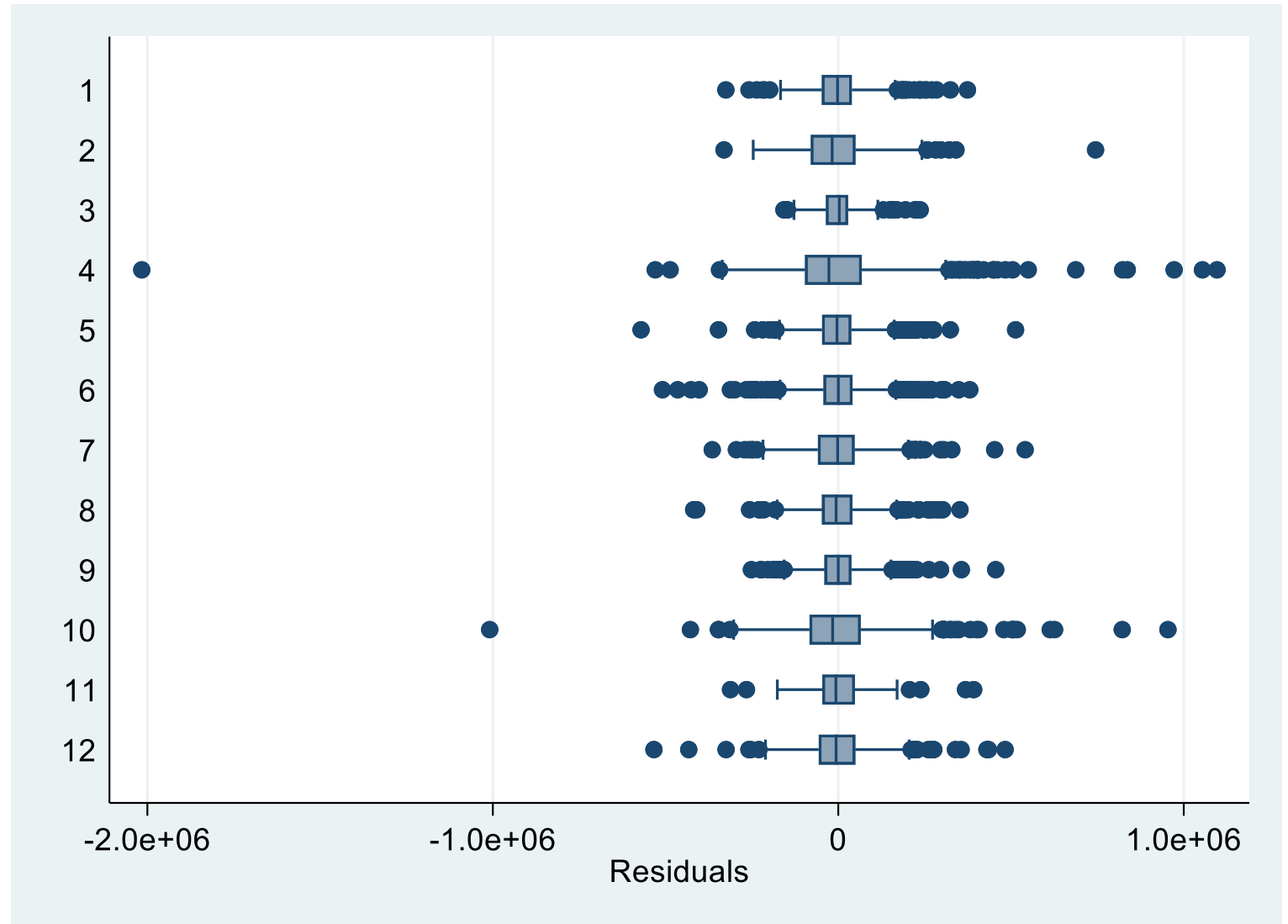
Goals

- Identify mispriced properties
 - Especially if assessed at values that are too low: tax loss

How

- Check whether improvements have been capitalized into assessments
 - Uses algorithm/rule of thumb, not actual values
 - Older improvements now lost, as assessments are updated
- Build model to predict house values (based on plot size, rooms, etc.); if actuals < predicted, examine for undervaluation
 - May be houses at town boundary; or special characteristics
- Compare valuation with sales price (for recent sales)
 - Examine houses where price/valuation > 1.2

Box plot



- Residuals = assessed value – predicted assessed value
 - Negative implies unexpectedly low valuation

Sales price > 1.33 times assessment

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• . list saleprice valtot valbuilding valland svratio nhood yr if nhood<20 & acres>0 & areafin>0 & valbuilding>0 &
  nunits==1 & luc==101 & saleprice>1
• > 000 & svratio>1.33
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• +-----+
• | saleprice   valtot   valbuilding   valland   svratio   nhood   yr |
• |-----|
• 252. | 847000    604400    249,200    355200    1.40139    3    2020 |
• 279. | 1.7e+06    1.0e+06    533,000    483400    1.647973    4    2020 |
• 500. | 1.3e+06    934600    474,600    460000    1.390969    5    2019 |
• 502. | 1.6e+06    1.1e+06    657,000    428100    1.449175    5    2020 |
• 554. | 825000     178000     81,400     96600     4.634831    6    2020 |
• |-----|
• 699. | 1.1e+06    659100    213,600    445500    1.608254    6    2020 |
• 781. | 872000     631000    206,800    424200    1.381933    7    2020 |
• 1079. | 2.2e+06    1.5e+06    822,000    692000    1.45942     10   2019 |
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Several years ago the Fiscal Resources Task Group of Envision Arlington became aware of the sensitivity that the Town's budget has to New Growth. We illustrate this this sensitivity with the graph in figure 1.

In our 6/19 meeting you provided several graphs showing projected life of the override reserve fund for various assumptions. I thought one of these was the amount of new growth. This would make a good opening for the paper if you can dig it out.

New Growth income comes in large part by the growth in assessed value and thus increased taxes when buildings are built or redeveloped. The Town has limited ability to predict this activity so the Manager uses a conservative projection that is usually much less that what actually happens. Since this is a constraint on the pressure to offer new services in response to public demand, this is to some extent good thing. But it also limits the Town's ability to properly maintain its properties.

The importance of new growth for budgeting led members to examine examples of this source of revenue. We found several examples of large scale renovations (only large scale renovations affect new growth) that led to delayed increase in assessments.

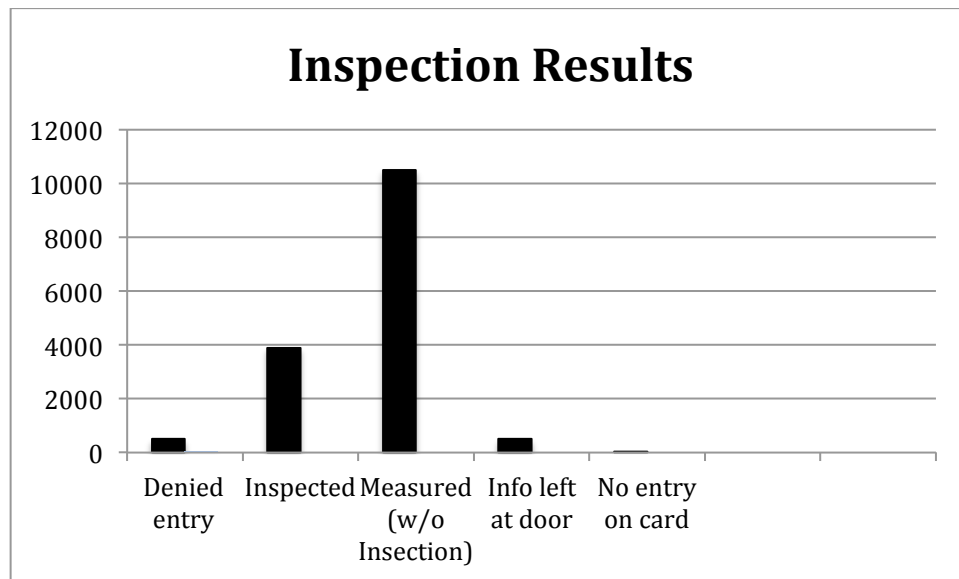
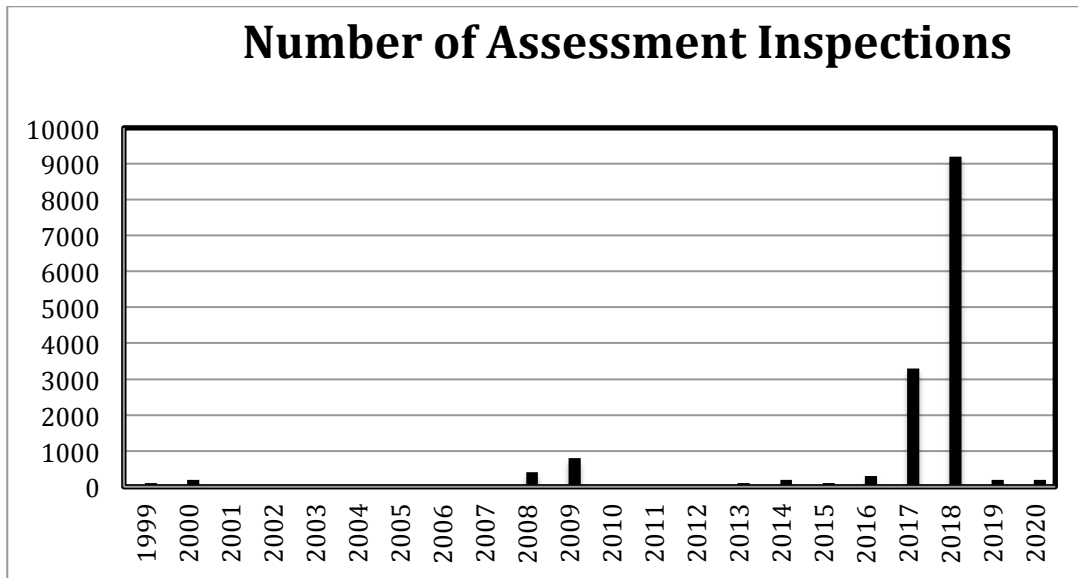
Insert Mike's examples

In cases like this, taxation is not "equitably distributed" as required in the Town's goal*.

**Insert the Fiscal Resource goal as a footnote.*

The group carried out a search of data provided by the Director of Assessments to see to what extent this oversight or delay might be common. The first graph shows that few inspections are done between 10 year revaluation. This suggests that large delays in recognizing new growth are likely.

This second graph shows that most of the assessment inspections were made from outside the building thus missing other improvements such as kitchens and finished basements. And perhaps delaying recognition of new growth projects,



The group also found that based on the Inspection Department records the average total permit value over 5 years was \$80M/year. The average over 5 years of non-inflationary assessment increases was \$90M/year. Since most of the permits were probably for small projects that would not qualify for assessment increase why is there such a discrepancy? Perhaps the Town is missing out on permit fees.

To summarize, the group found several examples of delayed recognition of new growth and indications from the files that suggest this is likely to be common. Are these departments adequately staffed?